

Mr. Chairman and members of the House Health Policy Committee, my name is Lauren Baldwin and I am Vice President of State Government Relations with Caremark, a pharmacy benefits manager. I appreciate the opportunity to provide comments in opposition to H.B. 5452. Caremark clients include a broad range of private and public health plan purchasers, including Blue Cross Blue Shield plans and other managed care organizations, employers, governments, third-party administrators of health plans, insurance companies and labor union-based trusts.

Caremark is one of the nation's largest independent providers of health improvement services, touching the lives of millions of health plan participants. We offer our health plan customers a wide range of health improvement products and services designed to lower the cost and improve the quality of pharmaceutical care delivered to plan participants.

The number of pharmacies that contract with Caremark has been growing annually. To date, Caremark now has over 60,000 pharmacies with whom it contracts, up from 55,000 in 2004. In Michigan alone we contract with more than 1,500 pharmacies. Caremark relationships with our network pharmacies is a critical component to the value we bring to our clients and their beneficiaries and it is very infrequent that we need to terminate a contract for any reason, but when we do most pharmacies are terminated from the Caremark pharmacy network because of inactivity or because they are out of business. A very small percentage of pharmacies are terminated due to audit or contract violations. In fact only one pharmacy in Michigan has been terminated for this reason in the last year. In every instance of termination, Caremark sends a notice to the pharmacy alerting them that they are going to be terminated and the reason for the termination.

Contract violations may include when a pharmacist or pharmacy fails to notify Caremark that it has been disciplined or has charges filed against it by a state regulatory or law enforcement agency. Another example of a violation of contract is if a pharmacy refuses to allow us to audit or fails to submit accurate and complete claims information.

Unacceptable audit findings may include the submission of fraudulent claims and a pharmacy consistently not following claims submission policies. The most common type of fraud is "phantom" billing, where a claim is submitted by the pharmacy but is not supported by a valid prescription. To deter fraud and ensure contract pharmacies are complying with Caremark quality assurance requirements, Caremark audits at least 5 percent of its contracted pharmacies annually. Caremark audits based on statistical analysis of claims data or tips from members, state, regulatory authorities, and clients about potential violations. We allow 30 days after an audit for a pharmacy to submit additional documentation on claim discrepancies. This is especially important to a pharmacy that has itself been the victim of fraudulent activity by one of its employees. In this case, although we would recoup for the fraudulent claims the Caremark Pharmacy Management Review Committee would re-audit and generally not term the contract.

For pharmacies that have unacceptable audits or fraudulent claims, the Caremark Pharmacy Management Review Committee meets quarterly to review unacceptable and

fraudulent activity to determine if continued membership in the network places our plan participants and clients at risk. The Committee is made up of Caremark employees from various cross functional departments.

When we find irrefutable evidence of fraud we report it to the appropriate authorities and state agencies, but it does not always result in a conviction. Caremark is active in the National Association of Drug Diversion Investigators (NADDI) and the National Health Care Anti-Fraud Association (NHCAA), two organizations whose mission is to investigate and prosecute pharmaceutical drug diversion.

This bill would require Caremark to allow any pharmacy that has not been “convicted” of fraud to continue operating in our pharmacy network even if we have strong evidence to prove fraud. The bill also does not take into consideration other reasons for a pharmacy to be termed, including a pharmacy changing ownership and violations of their contracts with us.

It is rare when a pharmacy needs to be terminated from our network, which is why Caremark has a national network of retail pharmacies that is comprised of more than 90 percent of the nation’s retail pharmacies, which provides tremendous access to our client’s beneficiaries. We do not terminate contracts capriciously. In the case of fraud we notify the pharmacy and allow it to appeal the decision to the Pharmacy Management Review Committee. This legislation is unnecessary and potentially would allow fraud to continue in Michigan unchecked.



Date

NCPDP#
Pharmacy Name
Pharmacy Address
City, State and Zip

Dear Pharmacy,

This letter is to inform you that on **xx/xx/xx** we will be terminating your Caremark membership due to No Activity with your pharmacy.

If you have any questions regarding this notification, please respond by fax at (480) 661-3054 or call (480) 391-4623.

Provider Enrollment
Network Management

Cc: Thao A. Pham / Caremark Legal
Sheila Latvenas / Caremark Pharmacy Enrollment
Lisa Lindsey / Caremark Pharmacy Enrollment



Date

Pharmacy Name
Pharmacy Address
City, State and Zip

Re: Notice of Termination
Pharmacy NCPDP#
Tracking#: 7099 2410 0005 0223 4044

Dear Pharmacy Owner;

This letter serves as notice that Caremark is terminating your pharmacy membership agreement, effective **XX/XX/XX**.

Caremark, is terminating the agreement due to the exclusion of your pharmacy by the federal government from participation in federal health care programs. If Caremark has been mis-informed about your current status related to participating in federal programs or if you are reinstated at some point in the future, you may reapply to become an Caremark member pharmacy.

We regret this action is necessary.

Sincerely,

Jeri Carlton
Provider Support Specialist

Cc: Thao Pham Caremark Legal
Sheila Latvenas / Caremark Pharmacy Enrollment

Via Certified Mail